ASTORIA FEDERAL SAVINGS
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April 2, 2009

Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Re: Federal Deposit Insurance Corporation – Deposit Insurance Special Assessment
RIN 3064-AD35

Dear Mr. Feldman:

Astoria Federal Savings and Loan Association (Astoria Federal) appreciates the opportunity to comment on the Federal Deposit Insurance Corporation's (FDIC) interim rule to impose a 20 basis point emergency special assessment on June 30, 2009 (the Interim Rule). AFS is a subsidiary of Astoria Financial Corporation which is a unitary savings and loan association holding company. We are a publicly traded thrift institution (NYSE:AF) with assets of approximately $22 billion. We operate 85 banking offices in New York with deposits of approximately $13 billion.

We fully support the view of the FDIC that a strong deposit insurance fund is important to maintaining depositor confidence in the deposit insurance system. However, how this is done is very important to Astoria Federal and the communities we serve, which is why we have serious concerns about the Interim Rule.

The special assessment is a significant and unexpected cost to us that will have a significant negative impact on our 2009 earnings. We are already dealing with a deepening recession, significant increases in loan costs as a result of increased delinquencies due to the current housing and real estate markets and rising unemployment, and a significant increase in pension costs and regular quarterly FDIC premiums.

Banks like Astoria Federal that did not originate sub-prime loans and have served our communities in a responsible way for years are being unfairly penalized. The special assessment is completely at odds with our efforts to help the communities we serve rebuild from this economic downturn. It is also counter to other efforts by Congress and the Treasury to stimulate lending. The cost is so high that it is a disincentive to raise new deposits. Fewer deposits will hinder our ability to lend. The reduction in earnings will make it harder to build capital when it is needed the most. We will also be forced to look at ways to lower the cost of other expenses, which may limit our ability to sponsor community activities or make charitable donations – something that we have done year after year.

Given the impact that the proposed assessment will have on us and the communities we serve, we strongly urge you to consider alternatives that would reduce our burden and provide the FDIC the funding its needs in the short term.

We urge you to consider more reasonable funding options such as:

1. Using an equity investment option where banks would provide a capital injection to the FDIC which would count as an asset for banks and not an expense;

2. Using a FICO approach to issue bonds and invest the proceeds into the insurance fund, similar to what was done in the late 1980s to pay for the costs of failures back then;

3. Spreading the cost of the special assessment over a long period of time;

4. Using the FDIC's borrowing authority with Treasury if the deposit insurance fund needs resources in the short-run. The deposit insurance fund remains an obligation of the banking industry. Using the FDIC's borrowing authority would allow any costs to be spread over a long period of time; and

5. Expanding discussions with the Treasury to possibly use already approved TARP funds. This will directly benefit Main Street and not Wall Street by strengthening consumer confidence in the financial security of the deposit insurance system.

Making these modifications will ensure that the deposit insurance fund remains secure and will allow Astoria Federal to continue to lend in our communities. We urge you to take these suggestions into consideration when the Board meets in April to finalize the special assessment rule.

We appreciate the opportunity to comment on the Interim Rule.

Sincerely,

Katherine A. O'Brien

Katherine A. O'Brien
First Vice President and Director of Financial Reporting